



# Agenda Report

November 19, 2012

**TO:** Honorable Mayor and City Council

**THROUGH:** Municipal Services Committee (November 13, 2012)

**FROM:** Water and Power Department

**SUBJECT: AUTHORIZE THE CITY MANAGER TO ENTER INTO A TWO YEAR EXTENSION OF CONTRACT NUMBER 18,094 WITH METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FOR PURCHASED WATER**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the action recommended herein is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3) (General Rule).
2. Authorize the City Manager to enter into a two year extension of Contract Number 18,094 with Metropolitan Water District of Southern California for purchased water.
3. Find that the proposed contract extension is exempt from competitive bidding pursuant to City Charter Article X Section 1002(H), Contracts with other governmental entities or their contractors for labor, material, supplies, or services.
4. Grant the proposed contract an exemption from the competitive selection process of the Competitive Bidding and Purchasing Ordinance pursuant to Pasadena Municipal Code Section 4.08.049 (B), contracts for which the City's best interest is served.

## **EXECUTIVE SUMMARY:**

The City of Pasadena ("City") and Metropolitan Water District of Southern California ("MWD") entered into Contract Number 18,094 on January 1, 2003. This contract is a ten year purchase order agreement, which expires on December 31, 2012, and authorizes the City Manager to purchase water from MWD.

Currently MWD staff and member agency representatives propose to amend the existing purchase order agreement and extend it for two years under the existing terms and conditions while discussions on rate refinement objectives continue. Staff recommends authorizing the City Manager to enter into a two-year extension of Contract Number 18,094 for purchased water.

**BACKGROUND:**

In 2003, MWD entered into purchase order agreements with 23 agencies. On January 1, 2003, the City entered into Contract Number 18,094 with MWD for a ten year purchased water agreement. On December 31, 2012, the contract expires. Currently, MWD has offered the 23 agencies to extend all purchase order agreements for an additional two years for a total of a twelve-year term contract expiring December 31, 2014.

The existing contract commits the City to a minimum purchase, on a take-or-pay basis, of 141,198 acre-feet (AF) over the ten year term. Adjusting this commitment for the two year extension, ending December 31, 2014, increases the volume to 169,438 AF. As of September 30, 2012, the Water and Power Department purchased 213,930 AF from MWD, which satisfies the existing agreement and the proposed extension.

In consideration of entering into a two year extension, MWD agrees to sell up to 21,180 AF per year at the Tier 1 rate to the Water and Power Department and purchases above this volume are priced at the higher Tier 2 rate. If the contract expires on December 31, 2012, the Water and Power Department may continue to purchase water from MWD but the volume priced at the Tier 1 rate is reduced to 14,120 AF per year and purchases greater than this volume is priced at the Tier 2 rate.

The Water and Power Department's average purchases over the past ten years are 21,393 AF per year. Entering into a two-year extension provides the City an approximate savings of \$1,000,000 per year when applying the average purchases over the past ten years and the calendar year 2013 rates for Tier 1 and Tier 2. Actual savings may vary year-by-year due to a number of factors such as MWD's tier rates, local demand and supplies, weather and economic conditions, the City's water rates, and conservation programs.

Therefore, staff is recommending the City Council authorize the City Manager to enter into a two-year extension of Contract Number 18,094 with MWD for purchased water.

**COUNCIL POLICY CONSIDERATION:**

Local water supplies are not sufficient in volume to meet all of the City's retail service demands thus the necessity for the City to purchase water from other sources. The largest water wholesaler in southern California is MWD. Providing for a clean and adequate water supply to the City is critical for maintaining and improving both public and private functions in the City. Purchased water from MWD is consistent with Land Use Objective 10, which promotes economic vitality throughout the City for new and expanding businesses. Ensuring adequate sources of water is also consistent with Land Use Object 13, which promotes healthy family communities through adequate

services such as water, power, schools, and parks. MWD is regulated by the California Department of Public Health to ensure the water served by the agency meets stringent federal and state regulations. This source of purchased water is consistent with Land Use Policy 18.4, which promotes improving water quality standards.

**ENVIRONMENTAL ANALYSIS:**

Entering into a purchase water agreement with MWD is determined exempt from the CEQA process pursuant to State CEQA Guidelines Section 15061(b)(3), the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it is seen with certainty that there is no possibility the activity in question, such as extending an existing contract, has a significant effect on the environment, the activity is not subject to CEQA. Further, while no physical construction is contemplated to be undertaken solely as a result of extending this contract, CEQA review may apply if any construction projects are proposed, or terms of the contract are changed, in the future.

**FISCAL IMPACT:**

The cost of this action is approximately \$15.2 million for fiscal year 2013. Funding for this action is addressed by utilization of existing budgeted appropriations in account 8139-402-881000-01-0704. Funding for future purchases will be presented during the annual City operating budget, which includes purchases for water.

Respectfully submitted,



Phyllis E. Currie  
General Manager  
Water and Power Department

Prepared by:

  
Gary Takara  
Principal Engineer

Approved by:

  
MICHAEL J. BECK  
City Manager